PragerMetis

Help Hospitalized Veterans, Inc.
D/B/A/ Help Heal Veterans
Financial Statements
July 31, 2020

Help Hospitalized Veterans, Inc.
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PragerMetis

Prager Metis CPAs LLP

2381 ROSECRANS AVENUE
SUITE 350
EL SEGUNDO, CA 90245
T 310.207.2220
F 310.207.0556
www.pragermetis.com

Independent Auditor's Report

To the Board of Directors of
Help Hospitalized Veterans, Inc. d/b/a Help Heal Veterans

Report on the Financial Statements

We have audited the accompanying financial statements of Help Hospitalized Veterans, Inc., d/b/a Help Heal Veterans (a nonprofit organization) which comprise the statement of financial position as of July 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Help Hospitalized Veterans, Inc. as of July 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prager Metis CPAs LLP

Prager Metis CPAs LLP
El Segundo, California
April 2, 2021

Help Hospitalized Veterans, Inc.
D/B/A/ Help Heal Veterans
Statement of Financial Position
July 31, 2020

Assets		
Current assets		
Cash	$	431,320
Other receivables		133,237
Prepaid expenses		88,028
Inventory of therapeutic materials and direct mail supplies, net		1,926,925
Total current assets		2,579,510
Property and equipment, net		1,112,540
Investments		918,064
Total assets	$	4,610,114
Liabilities and net assets		
Liabilities		
Current liabilities		
Accounts payable	$	947,925
Accrued expenses		226,681
PPP Loan		468,302
Total current liabilities		1,642,908
Long-Term Liabilities		
Line of credit		420,000
Underfunded pension liability		2,210,519
Total long-term liabilities		2,630,519
Total liabilities		4,273,427
Net assets		
Without donor restriction		336,687
Total net assets		336,687
Total liabilities and net assets	$	4,610,114

The accompanying notes are an integral part of these financial statements.

Help Hospitalized Veterans, Inc.
D/B/A/ Help Heal Veterans
Statement of Activities
Year Ended July 31, 2020

	Without Donor Restriction	With Donor Restriction	Total
Revenues and gains			
Contributions received	$ 10,624,835	$ -	$ 10,624,835
Investment Income	10,244	-	10,244
Other revenue	246,125	-	246,125
Other donations	9,948	-	9,948
In-kind contributions	6,037,223	-	6,037,223
Loss on sale of asset	(9,304)	-	(9,304)
Net assets released from restrictions	2,000,000	(2,000,000)	-
Total revenues and gains	18,919,071	(2,000,000)	16,919,071
Expenses			
Program services			
Therapeutic materials	4,535,325	-	4,535,325
Craft care specialists	881,985	-	881,985
Veterans assistance and awareness	6,035,536	-	6,035,536
Total program services	11,452,846	-	11,452,846
Supporting services			
Management and general	1,960,985	-	1,960,985
Fundraising	4,469,239	-	4,469,239
Total supporting services	6,430,224	-	6,430,224
Total expenses	17,883,070	-	17,883,070
Change in net assets before effect of pension liability	1,036,001	(2,000,000)	(963,999)
Pension-related changes other than net periodic pension cost	559,709	-	559,709
Change in net assets	1,595,710	(2,000,000)	(404,290)
Net assets, beginning of year	(1,259,023)	2,000,000	740,977
Net assets, end of year	$ 336,687	$ -	$ 336,687

The accompanying notes are an integral part of these financial statements.

Help Hospitalized Veterans, Inc.
D/B/A/ Help Heal Veterans
Statement of Functional Expenses
Year Ended July 31, 2020

	Program Services			Supporting Services		
	Therapeutic Materials	Craft Care Specialists	Veterans Assistance & Awareness	Management and General	Fundraising	Total
Printing	$ 23	$ 23	$ 884,768	$ 442,394	$ 2,075,797	$ 3,403,005
Postage	706,048	-	536,438	268,220	1,258,567	2,769,273
Direct mail services	-	-	81,422	40,711	191,028	313,161
Mailing list rental	-	-	96,362	48,181	226,079	370,622
Data processing	-	-	57,247	28,623	134,310	220,180
Promotion	-	-	1,942,024	38,753	181,840	2,162,617
Craft kits	2,858,229	-	-	-	-	2,858,229
Rent and facilities	-	103,756	-	-	-	103,756
Caging	-	-	-	315,955	-	315,955
Salaries and payroll taxes	397,423	380,519	15,932	297,796	191,066	1,282,736
Utilities	10,630	8,860	-	1,449	-	20,939
Telephone	9,691	4,038	808	808	808	16,153
Legal and accounting	-	-	-	117,259	-	117,259
Consulting	63,135	34,093	18,941	5,051	5,051	126,271
Office supplies	38,500	39,451	4,375	6,125	-	88,451
Taxes and licenses	13,927	-	-	9,136	-	23,063
Office equipment	309	309	35	49	-	702
Public relations	-	-	2,366,118	-	-	2,366,118
Outside services	26,073	-	4,889	978	652	32,592
Auto and travel expense	-	6,618	9,300	31,945	-	47,863
Depreciation	20,399	-	6,800	6,800	-	33,999
Bank charges	-	-	-	29,061	83,194	112,255
Retirement expense	225,732	216,130	9,050	169,182	108,524	728,618
Insurance	77,936	88,188	1,027	19,210	12,323	198,684
Miscellaneous	82,456	-	-	83,299	-	165,755
Write-off obsolete inventory	4,814	-	-	-	-	4,814
Total	$ 4,535,325	$ 881,985	$ 6,035,536	$ 1,960,985	$ 4,469,239	$ 17,883,070

The accompanying notes are an integral part of these financial statements.

Cash flows from operating activities	
Change in net assets	$ (404,290)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Pension liability	(559,709)
Write-off of obsolete inventory	4,814
Depreciation	62,262
Loss on sale of equipment	9,304
Realized gain on investments	23
Unrealized gain on investments	(1,351)
Change in settlement receivable	2,000,000
Change in other receivables	(54,241)
Change in prepaid expenses	(13,949)
Change in inventory of therapeutic materials and direct mail supplies	700,148
Change in accounts payable	(1,065,528)
Change in accrued expenses	34,911
Net cash provided by operating activities	712,394
Cash flows from investing activities	
Proceeds from the sale of investments	933,220
Purchases of investments	(1,849,956)
Purchases of property and equipment	(68,961)
Proceeds from PPP Loan	468,302
Net cash used in investing activities	(517,395)
Cash flows from financing activities	
Payments on line of credit	(52,578)
Net cash used in financing activities	(52,578)
Increase in cash	142,421
Cash, beginning	288,899
Cash, ending	$ 431,320

The accompanying notes are an integral part of these financial statements.

Note 1 Description of Organization

Help Hospitalized Veterans, Inc. d/b/a Help Heal Veterans (the Organization) is a not-for-profit corporation organized in 1971 for the purposes of informing the public of the needs of veteran patients, encouraging the public to participate in programs that assist in the veteran's rehabilitation, and providing therapeutic products and services that include arts and craft materials to veteran patients.

Note 2 Summary of Significant Accounting Policies

Contributions are received primarily as a result of direct mail and media solicitations to individuals throughout the country. Contributions are recognized as support when received.

Financial Statement Presentation
The Organization follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 for financial statement presentation. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Without Donor Restrictions - Net assets not subject to donor-imposed stipulations.

With Donor Restrictions - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time or net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

The Organization reports gifts of cash and other assets as with donor restricted revenue if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as contributions without donor restrictions.

Donated Services, Materials, and Facilities
Donated services are recognized as contributions in accordance with FASB ASC 958, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Donations of materials are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Note 2 Summary of Significant Accounting Policies (continued)

Donations of facilities and equipment are recorded as contributions based on the square footage occupied by the Organization at the estimated rental value per square foot and the estimated rental value of the equipment. The estimated rental value is based on commercial real estate value guidelines for the location of the property.

Allocation of Expenses
Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis and consistently applied. Expenses associated with direct mailings are allocated based on a direct line count method of allocating joint costs. Salaries and related benefits, payroll taxes, and telephone expenses are allocated based on the estimated time and effort of employees performing their assigned functions. Utility expenses are allocated based on the square footage of the building.

Functional Expenses
The costs of providing various program and supporting services have been summarized on a functional basis on the schedule of functional expenses. Certain costs have been allocated among program and supporting services as follows:

Therapeutic Materials - All expenses incurred to purchase, manufacture, store, manage and distribute therapeutic materials containing arts and craft materials to veteran patients.

Craft Care Specialists - All expenses incurred to pay and administer employees and consultants whom service the therapeutic materials program in the hospitals and the Community Based Craft Kit Program locations.

Veterans Assistance and Awareness - All expenses incurred to educate the general public about the country's military and veterans' hospital system and the patients ongoing need for physical therapy. Also, all expenses incurred to encourage the general public to participate in the Organization's correspondence and veteran assistance programs. Additionally, all expenses contributed to organizations that provide assistance to veterans or support various special events for veterans are recorded as veterans assistance and awareness.

Management and General - All other operating expenses incurred by the Organization in the accomplishment of its tax-exempt purposes.

Fundraising - All expenses incurred with the purpose of raising funds.

Other Receivables
Other receivables are carried at their unpaid principal balance, less any allowance for doubtful accounts. Management periodically evaluates the adequacy of the allowance based on the customers' ability to repay. Past due status is based on contractual terms. The Organization writes off any receivables determined by management to be uncollectible. At July 31, 2020, other receivables are considered to be fully collectible.

Note 2 Summary of Significant Accounting Policies (continued)

Inventory
The inventory of purchased therapeutic materials, leather, wood, other raw materials, and direct mail supplies are stated at lower of cost or net realizable value determined on a first-in, first-out basis. Donated inventory is stated at fair market value at the time of receipt. Fair market value is the cost the Organization would incur to purchase the inventory which is deemed to approximate the estimated selling price.

The Organization reviews its inventories continuously for seldomly used or unused inventories that it considers to be slow-moving, and records an allowance for such inventories. For the year ended July 31, 2020, there was an allowance of $4,814 for slow-moving inventories.

Property and Equipment
Property and equipment are stated at cost if purchased or fair value if contributed and are depreciated on a straight-line basis over their estimated useful lives of five to ten years. The Organization capitalizes property and equipment with an estimated useful life greater than one year.

Expenditures for maintenance and repairs are expensed as incurred. Betterments, which increase the value or materially extend the life of the related assets, are capitalized.

Valuation of Long-lived Assets
The Organization accounts for the valuation of long-lived assets under FASB ASC 360. FASB ASC 360 requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value, less costs to sell. At July 31, 2020 the Organization has not deemed any assets impaired.

Investments and Fair Value Measurements
Investments are reported at fair market value determined by unadjusted quoted market prices. Investment revenue and realized and unrealized gains and losses is included in the statement of activities as increases or decreases in without donor restricted net assets unless the income is restricted by donor or law. In accordance with accounting principles generally accepted in the United States of America, the Organization uses the following prioritized input levels to measure fair value of investments. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets, such as stock quotes.

Level 2 – Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace, such as yield curves or other market data.

Note 2 Summary of Significant Accounting Policies (continued)

Level 3 – Unobservable inputs, which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, such as bid/ask spreads and liquidity discounts.

The fair values of mutual funds were determined using level 1 inputs, which were based on quoted prices in active markets. Management believes the fair values of investments to be a reasonable approximation of their exit price.

Income Taxes
The Organization has received a tax determination letter from the Internal Revenue Service and is exempt from federal and California income taxes under Section 501(c)(3) of the Internal Revenue Code and related sections of the California Code. As such, only unrelated business income is subject to income tax. For the year ended July 31, 2020, there is no unrelated business income.

Management has evaluated the Organization's tax positions and has concluded that the Organization has taken no uncertain tax positions that require adjustment to the financial statements.

Uses of Estimates
Management uses estimates and assumptions in preparing financial statements in conformity with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Note 3 Concentration of Credit Risks

The Organization maintains cash balances that may exceed federally insured limits at times throughout the year. The cash accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000 per account. The Organization has not experienced any loss in such accounts.

Other receivables include amounts due from two companies comprising 100% of total other receivables.

Direct mail fundraising income accounted for approximately 58% of the Organization's revenue.

Note 4 Intentions to Give

The Organization has received intentions of gifts in the form of bequests which are revocable during the donors' lifetime. Due to the uncertain nature of these intentions, the Organization has not recognized an asset or contribution revenue for these gifts. It is not practicable to estimate the total intentions to give.

Note 5 Inventories

The following are the components included in the inventory of therapeutic materials and direct mail supplies on the statement of financial position as of July 31, 2020:

Inventory Type	Value at July 31, 2020
Raw materials	$ 1,324,637
Direct mail	117,831
Therapeutic materials	480,620
Packing materials	8,651
	1,931,739
Less allowance for slow moving inventories	4,814
	$ 1,926,925

Note 6 Property and Equipment

Property and equipment is summarized at July 31, 2020 as follows:

Office furniture and equipment	$ 236,203
Leather equipment	127,657
Automobiles	2,500
Wood equipment	170,667
Land	675,738
Buildings	1,490,682
Land improvements	448,686
Building improvements	50,515
	3,202,648
Less accumulated depreciation	2,090,108
Property and equipment, net	$ 1,112,540

For the year ended July 31, 2020, depreciation expense is as follows:

Depreciation expense before indirect cost allocation	$ 62,262
Indirect cost allocation	(28,263)
Depreciation expense for the year ended July 31, 2020	$ 33,999

Note 7 Investments and Fair Value Measurements

The following table presents the balances of assets measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
Exchange traded funds	$ 5,010	$ -	$ -	$ 5,010
Mutual funds	913,054	-	-	913,054
	$ 918,064	$ -	$ -	$ 918,064

Note 8 Pension and Profit Sharing Plan

The Organization has a frozen defined benefit pension plan. The plan provides for payment of retirement benefits commencing at the later of age 65 or the completion of five years participation. After meeting certain qualifications, an employee acquires a vested right to future benefits. The benefits payable under the plan is determined on an employee's length of service and earnings. The annual measurement date is July 31 for the pension benefit. The plan was frozen effective July 2017.

The components of net pension costs are as follows:

Interest cost	$ 270,298
Return on plan assets	(378,934)
Amortization of loss	75,254
	$ (33,382)

The funded status of the plan is as follows:

Projected benefit obligation	$ (7,586,452)
Fair value of plan assets	5,375,933
Funded status	$ (2,210,519)

Actuarial assumptions are as follows:

Weighted average discount rate	2%
Weighted average long-term rate of return on assets	7%
Rate of compensation increase	4%

Note 8 Pension and Profit Sharing Plan (continued)

The expected long-term rate of return on assets of 7% was determined based on expected future investment returns. Historical market rates of return and interest rate levels were considered in determining the expected future investment returns.

The net periodic pension gain for the year ending July 31, 2020 is $33,382. For the year ended July 31, 2020, benefits of $443,422 were paid by the plan. Benefits expected to be paid during the next ten fiscal years are as follows:

Year Ending July 31,		
2021	$	157,414
2022		157,290
2023		205,097
2024		216,677
2025		281,798
2026 – 2030		1,682,756

The plan's accumulated benefit obligation is $7,586,452.

The Organization's pension plan assets were 100% invested in mutual funds which are considered a Level 1 investment and totaled $5,375,933 at July 31, 2020.

The investment policy and strategy is to provide benefits at normal retirement age. The principal goal of the investment of the funds in the plan is both security and long-term stability with moderate growth commensurate with the anticipated retirement dates of the participants. Investments are sufficiently liquid to enable the plan, on short notice, to make some distributions in cash in the event of death or disability of a participant.

As of July 31, 2020, amounts recognized in the statement of financial position consist of:

Pension liability	$	2,210,519

For the year ended July 31, 2020, net gain recognized in the statement of activities consists of:

Net gain	$	559,709

Plan assets and obligations are measured as of July 31, 2020 which is the Organization's fiscal year ending date. Therefore, a provision for the change of measurement date is not required.

Note 9 Operating Leases

The Organization leases space under non-cancellable operating lease agreements. At July 31, 2020, the future minimum lease payments are as follows:

Year Ending July 31,		
2021	$	27,724
2022		1,750
	$	29,474

The Organization also leases various storage units on a month to month basis. For the year ended July 31, 2020, rent expense for all operating lease agreements was $55,599.

Note 10 Settlement Receivable

In 2014, the State of California and the Organization settled a complaint with no admission or finding of any wrong-doing, fault, violation of law, or liability. Pursuant to the terms of the settlement agreement, the Organization will receive $2,000,000 from the estate of the former President upon the passing of his spouse. During the year the spouse passed and the settlement was collected.

Note 11 Line of Credit

In 2018, the Organization entered into a revolving line of credit in the amount of $500,000. The line of credit bears interest at the prime rate as reported in the Wall Street Journal (5.5% at July 31, 2020) and expires in March 2022. Interest only payments are due monthly. The line of credit is collateralized by the Organization's headquarters building and property. As of July 31, 2020, the Organization was not in compliance with a covenant included in the line of credit. This covenant has been waived by the Bank.

Note 12 Paycheck Protection Program Loan

In 2020, the Organization obtained a loan in the amount of $468,302 pursuant to the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for up to 2.5 times the average monthly payroll expenses of the qualifying business. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The unforgiven portion of the loan is payable over 2 years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization believes they have used the proceeds for the purposes consistent with the PPP.

Note 13 Contributed Services, Materials, and Facilities

During the year ended July 31, 2020, the Organization received donated airings of public service announcements, shipping discounts, recreational models, and leather scraps. The Organization also received donated space. The donated space was used by the Organization to provide recreational therapies to veterans as part of the craft care specialists program. For the year ended July 31, 2020, contributed services and materials were as follows:

Description	Recorded as	Amount
Public service announcements	In-kind contribution revenue and promotion expense.	$ 1,806,851
Shipping	In-kind contribution revenue and therapeutic materials expense.	481,700
Online public relations	In-kind contribution revenue and public relations expense	2,322,469
Leather	In-kind contribution revenue and inventory.	584,605
Facilities	In-kind contribution revenue and craft care specialist expense.	48,157
Fabric	In-kind contribution revenue and inventory.	243,722
Models and related materials	In-kind contribution revenue and inventory.	264,733
Books and other activity items	In-kind contribution revenue and inventory.	188,455
Miscellaneous	In-kind contribution revenue and various accounts.	96,531
		$ 6,037,223

Note 14 Allocation of Joint Costs

During the year ended July 31, 2020, the Organization incurred joint costs of $6,658,935 for direct mail communication materials and activities that include fundraising appeals of which $1,731,323 was allocated to veteran awareness (program services), $865,662 to management and general, and $4,061,950 was allocated to fundraising expense.

Note 15 Liquidity

The Organization has $1,482,621 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash of $431,320, investments of $918,064, and other receivables of $133,237. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The settlement receivable was collected subsequent to year end and is not subject to purpose restrictions. The Organization has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due.

Note 16 Contingencies

Economic uncertainties have arisen due to the spread of the COVID-19 coronavirus. The Organization believes such uncertainties are temporary in nature. Financial impacts could occur, although such impacts are unknown at this time.

Note 17 Subsequent Events

Management has evaluated subsequent events through April 2, 2021, the date which the financial statements were available to be issued.

Subsequent to year end the Organization received and Economic Injury Disaster Loan in the amount of $150,000.